

JOHN DEERE

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# JOURNAL



Sam Allen  
Deere & Company  
President and CEO



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*Excerpts of Chairman Bob Lane's June 1 letter to employees announcing the election of Sam Allen as president and chief executive officer*

Today we announced that the Board of Directors unanimously elected Samuel R. Allen president, chief operating officer, and a member of the board of directors effective June 1. He also was elected the ninth Deere chief executive officer, effective August 1. I will continue to serve as Chairman of the Board for a brief transition.

With their choice, the board recognizes, as I do, that Sam is a superb, smart, ethical executive, a wise and uncommonly capable leader, and someone with the proven experience and ability to effectively lead both the company and the board with the values of Deere in the challenging years ahead. Sam will benefit, as I did, from a remarkably talented senior management team around him and thousands of great Deere leaders throughout the world.

On The Cover:

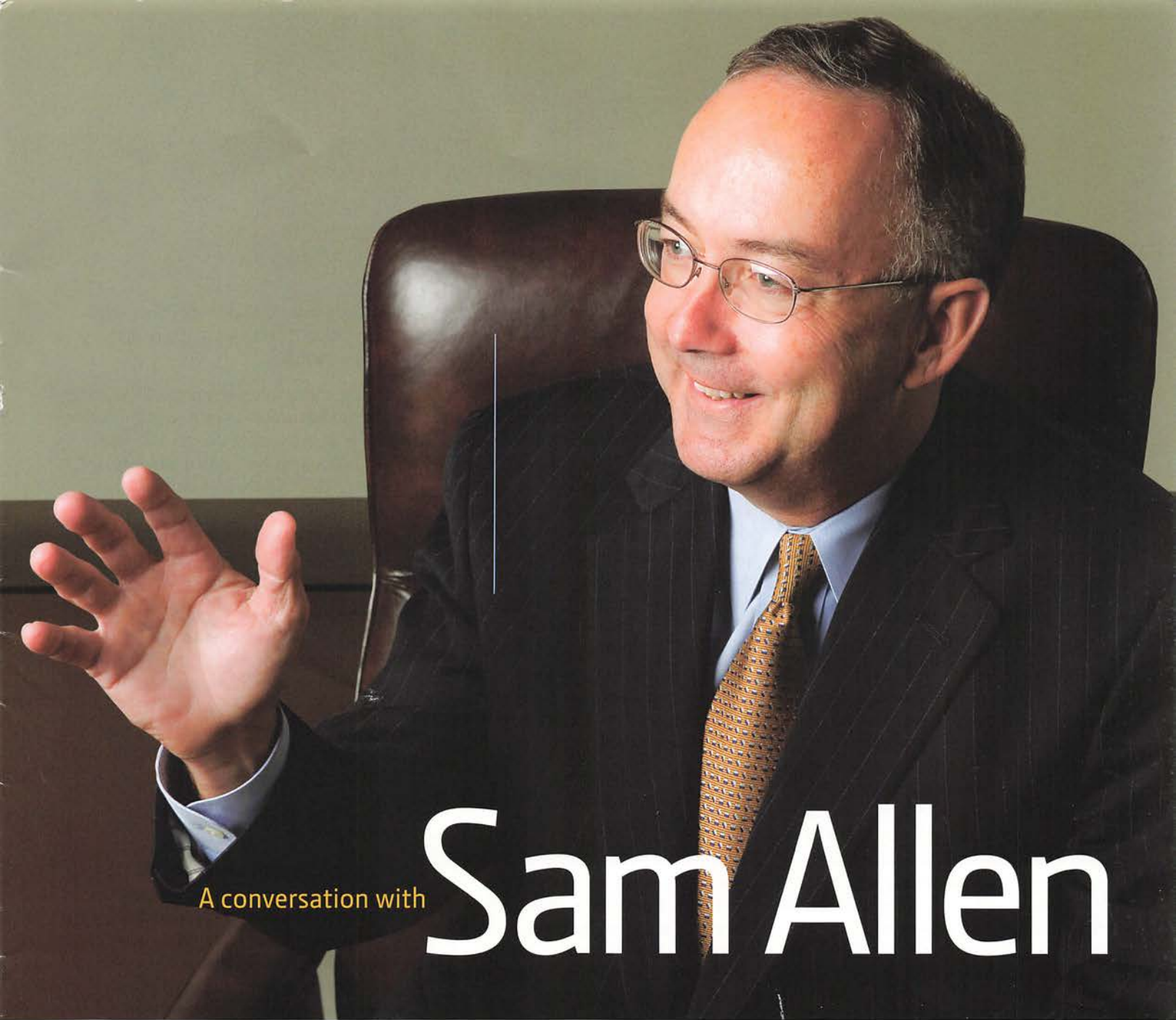
Sam Allen, president and chief executive officer,  
Deere & Company

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*Address correspondence to:  
Editor, John Deere Journal  
Corporate Communications Department  
Deere & Company  
One John Deere Place  
Moline, IL 61265-8098*

*Phone: (309) 748-5193  
E-mail: [jdj@johndeere.com](mailto:jdj@johndeere.com)*

*John Deere Journal is online at:  
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A conversation with

# Sam Allen

Sam Allen became the ninth John Deere chief executive officer on August 1.

**JDJ:** You joined John Deere in 1975, right out of college. What made you decide to join John Deere?

**Allen:** During my senior year (at Purdue University) I was in an upper-level management class that would bring executives in, and then three or four students would have lunch with the executive. One of the executives who visited the class was Bud Lundahl, at that time Deere & Company senior vice president, Manufacturing. After lunch, he asked me to come and interview with Deere, which I did.

Had you been interviewing with a lot of companies like Deere?

No. I wasn't considering working in manufacturing at all. I wanted to be involved in golf for a career. I had always been involved in golf — I played in my first tournament when I was seven years old — and played for Purdue.

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#### But you interviewed with Deere?

I came and interviewed at headquarters and at Harvester Works. I'll tell you, I was impressed. Seeing Moline, particularly this building (Deere & Company World Headquarters), I thought, "For a company to build something like this, it has to be a visionary company." I got a job offer and accepted it, because I was so impressed. Also, I was about to marry my high-school sweetheart, and I thought I'd better start my career.

#### What has made you successful?

Success starts with how you are brought up. Two philosophies my father instilled in me — always give 110 percent, and treat people the way you want to be treated — have been very important. That's especially true in building relationships. No one is successful without the help of a lot of people, and, perhaps as a result of trying to live by those philosophies, I've been fortunate to have met a lot of people who wanted to help me. Also, I believe I am pretty good at seeing through complexity, looking at all the issues, and focusing on the 20 percent that makes up 80 percent of the problem or opportunity.

#### You've talked about the importance of passion in our work. How do you generate passion?

I energize myself. When I was in the factories, I would go to the manufacturing floor and see the confidence and pride employees had in what they were doing and what Deere meant to them and their families. Later, I began doing that with customers and dealers. There is nothing as powerful as spending time with customers and hearing them talk about why they like John Deere — not just the company, but the entire John Deere experience. It makes you proud and gets you excited about doing what it takes to continue earning their trust. I always encourage people to visit customers, because it's such a powerful, positive experience.

#### After 34 years of working in various areas of the company, how would you describe the company's personality and appeal?

Each division has aspects of its personality that are unique as well as aspects in common with other areas of the company. Ag, for example, has a rich historical culture of going back 172 years and of being number one for some decades now. You can meet third- or fourth-generation farmers whose

family legends include experiences with John Deere. There's a lot of lore that goes with that.

Construction & Forestry is just 50 years old, but has grown to be a strong number two in its industry in the United States by maintaining John Deere integrity and quality. But C&F has also developed a reputation with customers and dealers, not only of strong relationships, but also of a willingness to change the paradigm, to take more risks for more rewards.

The common elements are what define the company — taking the Deere values seriously, for example. One of the great things about John Deere, one reason customers develop such loyalty, is that it stands by them. I believe this is true throughout the company, in all divisions and geographies.

#### How about outside of the industry, in other arenas?

It seems to me the status of the enterprise, in business, politics, and other forums, has grown tremendously. We've always been known for quality products and integrity; we've always been seen as a good equipment company. But as an executive from another company told me, Deere is viewed as a much bigger company than it is. The company's influence is much broader and deeper than its size would indicate.

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"The reason to grow a great business is to help all constituents prosper."

# Previous John Deere chief executive officers

1



**John Deere**  
1837 to 1886

2



**Charles Deere**  
1886 to 1907

3



**William Butterworth**  
1907 to 1928

4



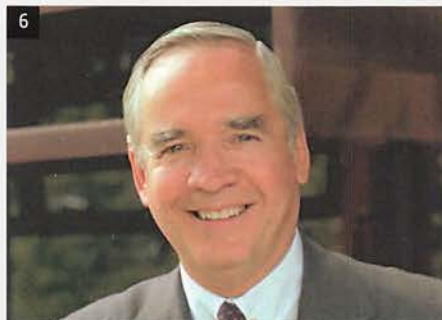
**Charles Deere Wiman**  
1928 to 1955

5



**William Hewitt**  
1955 to 1964

6



**Robert Hanson**  
1964 to 1990

7



**Hans Becherer**  
1990 to 2000

8



**Robert Lane**  
2000 to 2009



continued from pg. 4

## “Our responsibility is to keep positioning the business for sustainable growth.”

You've said the focus on shareholder value added (SVA) will not change. What is the strength of that in operations?

Operating at a level that creates returns that cover the cost of capital is a very logical idea to me. After all, the reason to grow a great business is to help all constituents prosper, including the providers of capital. From an operations point of view, the operating return on operating assets model that makes SVA work makes one think continuously and clearly about risk and reward. If we didn't pay attention to the SVA model, and positioned ourselves to easily capture every bit of the peak of the cycle, when the bottom comes, others — such as employees, investors, customers — could suffer through no fault of their own. The OROA approach helps ensure we do not layer in fixed costs that cannot be supported at the bottom of the cycle. Among other benefits, this has helped mitigate the need for massive layoffs, something none of us wants to do.

Some people say SVA impedes growth and focuses too much on the short term.

Our responsibility is to keep positioning the business for sustainable growth. So as long as you aim at growing SVA over time, not just for a quarter, but for years, you balance the short-term requirements with the long-term view.

How do you view the company's long-term prospects?

Long term, the world's need for food and infrastructure is going to experience enormous growth, especially in the developing economies. Technology will be an important aspect of meeting

those needs. In the case of larger farmers, John Deere is uniquely positioned to help provide the equipment solutions that help drive down their total cost structure. Keep in mind, however, that 85 percent of the world's farmers have two hectares or less of land. These farmers are looking for cost-effective technology that helps them go from manual labor to some level of mechanization. Providing this type of solution will be driven by “frugal engineering.” The global footprint of John Deere and engineering centers in places like India as well as Waterloo and Mannheim is key to successfully developing the technology-development processes to support both requirements.

What do we have to do right now?

In the near term, the challenge is to keep our employees, dealers, and suppliers motivated at a high level, executing flawlessly, and constantly reassessing today's extremely dynamic environment. Because of interim Tier 4 emission regulations which take effect in 2011–2012, we will introduce more new models in a shorter period than at any point in our history. This is a great opportunity to further distance ourselves from the competition if everyone remains highly aligned and motivated.

We have tremendous opportunities for growth over the longer term. That's positive news, of course. But it also challenges us to define the critical few priorities that will maximize our growth potential. The big challenge for me, working with the senior team, is to make sure we align our resources with the opportunities that will yield the biggest dividends.

There wasn't a lot of time for you to get used to the idea of running the company before the announcement of your election. Are you nervous about taking on that role?

I expected to be. But then I started to get congratulations and notes of support from people I've known during my career — customers, dealers, and employees. Those notes and e-mails and calls have meant more than I could have imagined. Knowing you have so many people behind you means a lot. I intend to do everything possible to continue earning their confidence and support.



# Ag and Turf restructures

Deere & Company Agriculture and Turf Division has embarked on a dramatic restructuring aimed at faster global growth.

The division itself is the result of one of the first changes: merging the former Commercial & Consumer Equipment Division with the Agricultural Equipment Division.

The organizational change is based on a business approach the company calls the Global Operating Model. The approach consolidates the division's equipment operations into five product platforms and all markets into four customer-focus regions. The division's two presidents, Dave Everitt and Mark von Pentz, are each responsible for two regions and also divide the platforms between them.

Both presidents say the model is a way to move faster toward global growth while responding to sharply increasing competition. "Compared to even a short time ago, the world is more competitive," says Everitt.

Deere has to be a fast, flexible company with a cost structure that ensures its products can be sold competitively anywhere in the world, Everitt says.

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The point of the Global Operating Model is to get better market information and use it to quickly and efficiently create and deliver distinctive solutions — packages of products and services aimed at helping customers succeed in their businesses — and do it faster and better than anyone else can.

Deere has grown globally but has been using organization structures and processes originally designed to serve single homogenous markets. “We’ve done a great job becoming a global company,” says Doug DeVries, senior vice president, Global Marketing Services, but, he says, the division’s organizational structure was slowing the company down.

The previous business model was based on factories as profit centers operating almost as individual businesses. Each of those businesses had to decide what to make and when to make it.

Each factory was being pulled in a lot of different directions as it tried to serve various marketing regions — of which there were upwards of 16, von Pentz says. “What you had was 16 sales and marketing regions lobbying 30 product lines, and there were no clear decision-making responsibilities,” he says.

The Global Operating Model is aimed at reducing complexity, allowing increased focus on customers, fast decision making, and the use of standard processes, metrics, and terminology all over the world.

Under the model, the five product platforms become profit centers, directing manufacturing and engineering for families of products that perform similar functions. The customer-focus regions are groupings of markets by customer needs and market similarities, not necessarily geography. Profit by region is also tracked to maintain a balanced perspective



Dave Everitt, president, Agriculture & Turf Division, Tractor/Turf and Regions 1 and 4.



Mark von Pentz, president, Agriculture & Turf Division, Harvesting/Crop Care/Hay & Forage, and Regions 2 and 3.

“This is something we have to do, and we’re doing it from a position of strength.”

between platforms and regions.

The platforms and regions are in turn supported by internal operations arrayed as internal platforms, for widely used components and manufacturing services, and by shared services and customer support organizations using globally standard processes.

Within that basic framework, a number of principles are at work that capitalize on the strength of John Deere: its broad global reach, extensive product lines, technology, and deep understanding of agriculture and turf care.

“This framework allows us to be more precise and clear about customer feedback,” Everitt says. One important result is that the framework creates more focus on customers, leading to even deeper understanding of their businesses.

It also allows better focus on product families, von Pentz points out. Take the crop-care platform, which includes

seeding, tillage, and application equipment such as sprayers. “Our competitors in those areas are mostly short-line companies, and they wake up in the morning thinking about how to increase market share in just those products. We weren’t giving those products that kind of attention, because they were part of other platforms. This will increase the focus on them,” he says.

Although the framework of the model is conceptually straightforward, it called for an extensive organizational restructuring, which is still being implemented. Just rearranging organization charts to fit the model wouldn’t help, though, Everitt says. “We defined the work first. We defined how we want to get the work done, where we want to do it, and what the tools are. Then we made the lines and boxes.”

What evolved was a matrix structure, an organization type that creates multiple reporting paths for some people. “There are many advantages to a matrix





A schematic of the global operating model. The model focuses on profit by product platform instead of by product line, and market share growth in customer service regions made up of countries grouped by market characteristics. Widely used services and components are organized to support all platforms and regions with globally standard processes.

structure," von Pentz says. For one thing, matrix structures often result in what amount to permanent cross-functional teams that work well across internal boundaries. "The matrix organizations that work are the ones in which roles and responsibilities — and accountability — are clearly defined," von Pentz says. "We made clear definitions of roles and responsibilities early on in this model."

The new organization has leadership structures for each platform and each region, and that leadership is accountable for sustainable growth in each area. Decision making is thus being moved down in the organization, Everitt says.

The new organization is also designed to align the division's widespread operations through standard processes. "The integration of global processes will improve effectiveness," Everitt says.

The company has a number of core processes aimed at achieving excellence

in most operations and they are demonstrably effective — when they're used. When factories were profit centers,

"This framework allows us to be more precise and clear about customer feedback."

though, they often felt they had to modify, or even opt out of, some processes to fit their own businesses. Take the Enterprise Order Fulfillment Process, or EOFP, a road map for building and delivering products. "Everyone uses it," Everitt says, "but everyone interprets it differently. Order fulfillment in Brazil doesn't mean the same thing it means in China."

That, he says, means results can drift, and customers in one area won't have the same John Deere experience as customers in another area. It also means costs and quality can vary between

locations and are harder to control, and it is harder for customers to do business with the company.

Increasing speed in innovation, market intelligence, and operations will also require increasing the speed at which employees develop leadership skills, Everitt says. "If we want all those things, we have to get better about managing talent."

Although the long-term goal of the change is to dramatically increase speed and effectiveness, it will also increase efficiency, and that is already happening. The restructuring eliminates duplication, and the consolidations of the divisions, work, markets, and platforms led Everitt and von Pentz to expect there would be several hundred salaried positions eliminated. To handle that, the division worked with enterprise Human Resources to design a voluntary separation program and a voluntary educational leave of absence program. Nearly 800 employees, many of them close to retirement, elected to sign

up for the programs. That accelerated the efficiency gains the division expected and will also speed up its already fast-tracked implementation.

The efficiencies are important, but, von Pentz says, "This is not at all about the current economic situation. This is something we have to do, and we're doing it from a position of strength. The company's first 170 years was about product. The next 170 years are going to be about customer driven product, systems, and solutions delivery."





## Intelligent Solutions Group makes machines smarter

Deere & Company recently announced that it has combined its Intelligent Mobile Equipment Technologies group and John Deere Agri Services, Inc., to form John Deere Intelligent Solutions Group (JDISG).

*John Deere Journal* asked Bharat Vedak, senior vice president, John Deere Intelligent Solutions Group, for more information.

**What prompted the move to combine IMET and JDAS into JDISG?**

IMET and JDAS were started as separate organizations, with specific emphasis on machine controls and information management, respectively, because we wanted to both promote the entrepreneurial spirit and provide focus in the initial stages. It was a valuable learning experience for the enterprise.



John Deere Intelligent Solutions Group relies on electronics design and manufacturing by the John Deere Electric Solutions business unit.



Bharat Vedak, senior vice president, Intelligent Solutions Group.

#### What is the JDISG strategy?

JDISG's strategy is to extend human capabilities through machine intelligence and information management. Customers want more automation to counter the shortage of skilled labor. They want increased precision technology so they can be as productive as possible. And, finally, they need a trusted partner to help them deal with information overload and make good decisions.

#### How will you measure the success of JDISG as an organization?

We measure our performance by how well we are helping the Deere divisions deliver superior revenues and shareholder value added (SVA) growth. We want to invest in projects so that, overall, we deliver two to three times the corporate growth goal for SVA.

#### Will JDISG expand to serve other areas?

If you're asking whether we are going to be as useful to the Construction & Forestry Division as we are to Ag & Turf, the answer is absolutely "yes." We are already providing power electronics, telematics, and electronic components capabilities to the C&F Division, and are committed to providing value and increasing revenue and SVA to all parts of the enterprise. That's why we are focusing on common solutions that are profitable.



Intelligent machines make customers more productive. This 7450i Forage Harvester not only uses GPS guidance, but can automatically adjust length of cut based upon sensor readings of crop condition.

#### What does "open innovation" mean?

This is a topic we've discussed at length. Instead of developing certain components and subsystems ourselves, can we get them from the outside and focus on integrating them? Along with our dealer capabilities, integrating products and technology is where we bring value to the customer. Our leadership has embraced this concept, and our goal is to provide many more integrated solutions for the same level of investment through outside partnerships.

#### What challenges does JDISG face?

Number one is keeping up with the pace of technology not only in our field, but throughout the world. This is one reason the enterprise formed the Global Technology & Innovation Advisory Council, which is made up of academics and others outside the company. They make sure we don't get blindsided.

Then there's the issue of maturing products, such as AutoTrac™, our GPS-guided steering, and making sure we have replacement innovations ready to go. A continuing challenge is staying ahead

of the competition, especially those who have a narrower focus than we do. Attracting talent is another challenge. While we have a very high level of employee engagement, we will continue to be challenged in attracting and retaining the best global talent.

As we expand our global growth we will be faced with the challenge of what our colleagues in India call "frugal electronics," or meeting the needs of customers in developing agricultural economies at lower price points.

#### Where do you see JDISG in 10 years?

There will be a much higher level of automation and a greater emphasis on robotics, all the way to autonomous machines. It all depends on customers being comfortable with technology and the technology delivering value to them. That's one thing. The other thing is decision support, which involves collecting information from several sources, processing it, and synthesizing it — in other words, more effective use of the volumes of information being created. These are two distinct capabilities which will come together to benefit our customers.



# Tier 4 creates changes at John Deere

Efforts by John Deere to meet Tier 4 engine emissions requirements have meant updating manufacturing facilities and processes, redesigning equipment, and working together in new ways to get it all done right in a relatively short period of time.

“Product programs are creating defining moments for how we work together as an enterprise,” says Craig Amann, manager, Product Verification & Validation at John Deere Power Systems. Before Tier 4, John Deere units were using many of the same tools, such as planning and risk-management programs, but were using them in different ways, Amann says. Now these tools are being used in similar fashion everywhere.

The company needs this level of integration because of the new, complicated technology being applied to engines to meet stringent emissions regulations and provide high performance, Amann says. No single John Deere unit could accomplish this on its own, he says.

The improved communication across units may prove to be one of the greatest long-term benefits of the Tier 4 process, Amann says. Whether people continue to work on Tier 4 or move elsewhere in the company, they’ll carry working relationships and contacts with them, creating an exponential impact across the organization, he says.

## **Simplifying manufacturing processes**

One of the most significant things John Deere Power Systems has done to prepare for Tier 4 manufacturing is coordinating how it invests money to update manufacturing processes at its

factories, says Joe Fons, manager, Order Fulfillment and Strategic Manufacturing at John Deere Power Systems.

In the past, factory capital investments were made independently. As a result, each factory had different equipment and processes for machining, assembly, and painting. Because Tier 4 implementation is affecting all engine factories, product designs and manufacturing processes now have to be common. So, to source the common equipment they need to manufacture Tier 4 engines, Power Systems worked with supply management to strike a deal with Grob, a Brazilian company that now serves as a primary machine-tool supplier for all Power Systems factories.

“We did this so all processes would be the same at each factory,” Fons says. Process engineering is simplified, leverage with the supplier is better, and everything from maintenance to quality to durability of the machines is significantly simplified, he says.

Power Systems is also building more prototypes on its assembly lines as a result of Tier 4, and that has helped resolve issues more quickly than in the past, Fons says.

Tier 4 is also affecting other key steps in the engine-assembly process. One specific example is when and how engines get painted. With the addition

of peripheral emissions control parts, painting must be done before assembly. The new process has required determining parts that have to be painted before assembly and developing new ways of handling materials. “When we’re painting before assembly we can’t just add a part to the engine and torque it up,” Fons says. “We have to worry about scratching that could affect final engine appearance.”

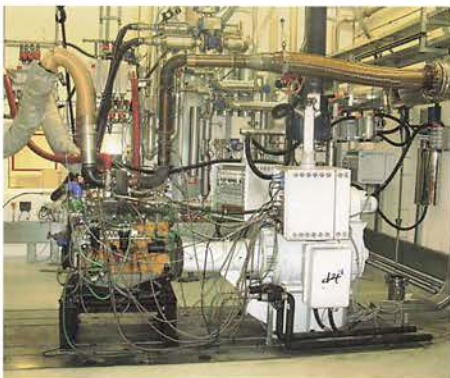
## **Quality Planning in Supply Management**

Supply management has created strategies for the selection of quality suppliers, earlier problem detection, and mitigation of risks during the implementation of Tier 4, says Kurt Kaliban, manager, Supplier



A new engine test cell at the John Deere Power Systems facility in Saran, France.





An engine undergoes testing at the John Deere Power Systems facility in Saran, France.

#### Quality at John Deere Power Systems.

For example, supply management created an enterprisewide aftertreatment quality community of practice. "Considering the complexity of this technology, we felt it was important to engage quality professionals across the enterprise," Kaliban says.

Quality planning has also been broadened beyond first-tier suppliers. "The aftertreatment technology is so critical that we decided to work directly with suppliers all the way out to the third tier," Kaliban says.

Engines are generally inside machines, which make them very expensive to fix when there is a problem with them, so the company has to uncover any possible issues before the finished products reach customers, Kaliban says.

## Tier 4 regulations

Emissions regulations date back to the 1990s, when governments in the United States and Europe laid out a long-term plan to reduce air pollution caused by off-road engines. The ultimate goal was to cut diesel emissions by more than 95 percent.

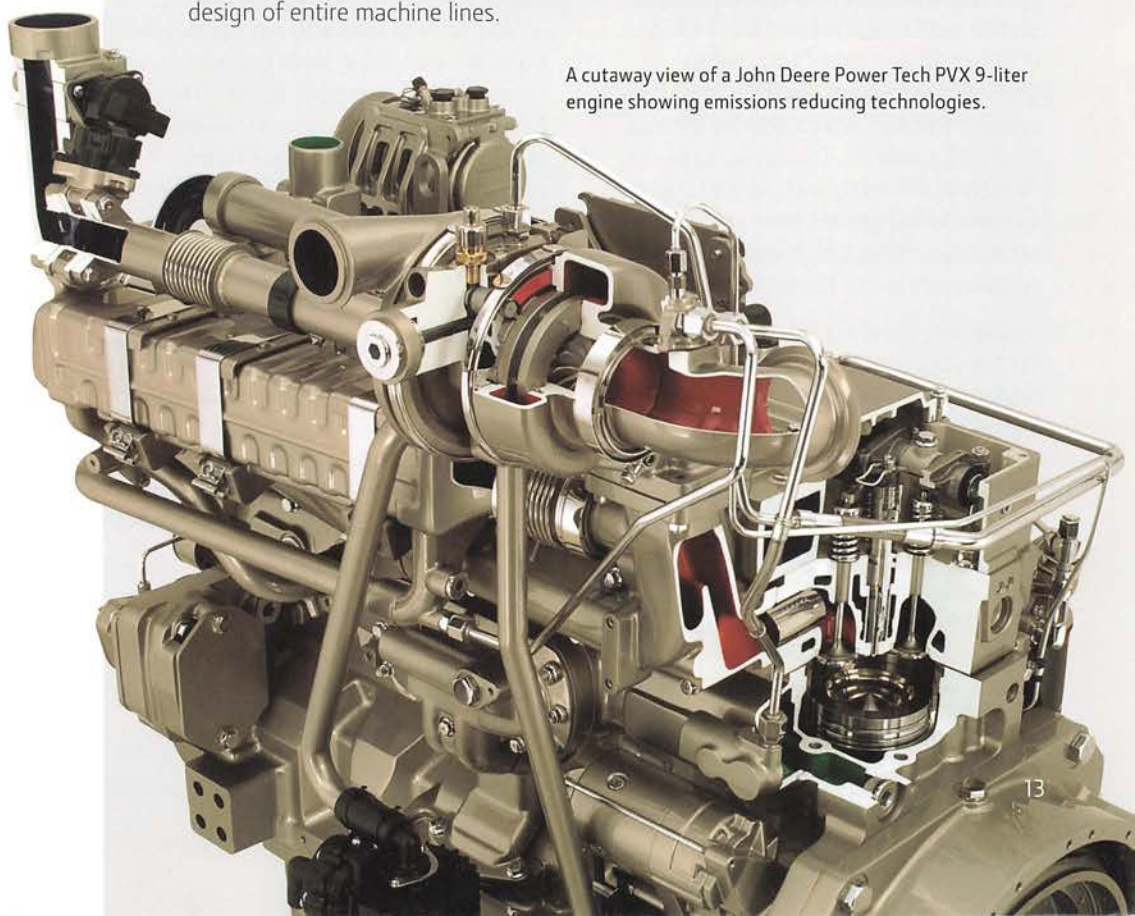
To reach the goal, the U.S. Environmental Protection Agency established a series of steps, called tiers, each of which requires manufacturers to produce diesel engines that can meet increasingly strict emissions levels. The tiers, and the dates they've gone into effect, vary by engine size. For many of the engines John Deere produces, the first tier took effect between 1996 and 1999. Tier 2 engines were phased in from 2001 to 2004, and Tier 3 from 2006 to 2008.

To meet the emissions requirements, engineers look for ways to reduce exhaust emissions of oxides of nitrogen (NOx) and particulate matter (PM), a complex mixture of fine carbon particles and hydrocarbon compounds.

Tier 3 emissions regulations required an approximate 65-percent reduction in PM and a 60-percent reduction in NOx from 1996 levels. Interim Tier 4 regulations require a 90-percent reduction in PM and a 50-percent reduction in NOx from Tier 3 requirements. Final Tier 4 regulations will require decreasing NOx an additional fivefold.

Tier 4 requires aftertreatment devices, filters to remove particulates from the exhaust stream, and catalyzing agents to break up the oxides of nitrogen. Since engines have to be mounted in equipment, adding aftertreatment and other devices can require redesigning engine compartments, affecting the design of entire machine lines.

A cutaway view of a John Deere Power Tech PVX 9-liter engine showing emissions reducing technologies.







# Public Affairs works to keep global trade growing

The adaptable John Deere 5000-Series Tractors are in demand the world over, but keeping markets open for the tractor, and the grains farmers grow with its help, can take as much effort as building quality tractors.

"It's a difficult environment in which to advance free trade," says Mara Sovey, director, International Affairs, with Deere & Company Public Affairs Worldwide.

Reaction to the financial crisis, pandemic flu worries, and political agendas around the world are creating an unsettled global trade environment.

Yet trade has never been more vital to John Deere. In fiscal year 2008, equipment operations net sales outside the United States and Canada totaled \$10.7 billion, or about 40 percent of total net sales. Deere has manufacturing operations in 28 countries and serves customers in more than 130 countries. The company works directly or indirectly with 30,000 suppliers worldwide and spends more than \$12.6 billion a year to get high-quality parts and components for its factories and dealers.

"Expanding world trade is a top priority for John Deere," Sovey says. Open markets allow John Deere to access high-quality parts and components at world competitive prices and get them to the factories when they're needed. More important, international markets are the company's biggest opportunity for growth. Yet, everywhere markets are becoming less open, at least in the short term. "The economic situation has continued to

worsen for all World Trade Organization members," WTO Secretary General Pascal Lamy told the organization's General Council in his May report.

J.B. Penn, John Deere chief economist, told the World Ag Forum in May, "There is always severe political pressure in times like these to take measures that are expedient in the short term but turn out to be counterproductive."

Sovey, who coordinates global public affairs activity, has been monitoring the tightening of global trade and assessing the impact on Deere businesses. There have been numerous actions related to tariff increases, imposition of import quotas, and non-tariff barriers such as changes to technical standards, she says.

"There are a number of initiatives being pursued by governments around the world related to trade, and our Global Public Affairs Council works to identify the impact on Deere business from a manufacturing standpoint and on market access for our global customer base," Sovey says. In addition to the WTO negotiations, there are bilateral trade discussions underway in many key Deere markets.

When a trade issue arises, she says, the public affairs team collaborates with the

business units to understand the impact on the business. Then Public Affairs develops an advocacy strategy to advance the company's position. The idea is to make sure government representatives understand how their decisions will affect John Deere business, its customers' businesses, and general long-term economic growth.

The work is critical for the company's financial results, as well as for its growth ambitions, and is also important to the company's customers. Agriculture, in particular, has always been a heavily trade-dependent sector. In 2007, for example, Brazil agricultural exports totaled \$48.2 billion, 30 percent of that country's total merchandise exports, according to WTO figures. For the 27 European Union countries, agricultural exports, both among EU members and countries outside the EU, totaled \$48.8 billion, or 9.2 percent of total merchandise exports; Canada, \$48.7 billion, or about 14.6 percent of exports; and the U.S., \$113.5 billion, or 9.8 percent of merchandise exports.

Particularly troublesome for Deere are activities that affect market access. For example, as manufacturing sharply declined during the worldwide financial crisis, the Russian Federation increased tariffs on imported combines and also made imported equipment ineligible for government-funded machinery subsidies. Those actions favored Russian-built machinery and sharply reduced sales by others, including Deere.



## 5000-Series shows why global trade is vital

The role of international trade in the business of John Deere is reflected in one of its most successful products.

The John Deere 5000-Series Tractor has worldwide demand because its applications, specifications, and capabilities can adapt to different markets around the world, says Wayne Haughton, director of marketing in East Asia.

With its universal PTO, the tractor can easily be tailored for local specifications or safety requirements in any region, Haughton says. Plus, its relatively light weight has allowed John Deere to bring tractor technology to crops where traditional tractors could not perform, such as wet paddy-land rice fields in Asia, he says. The tractor is built in Mexico, Brazil, Germany, India, China, and the U.S. Parts are sourced from many more



A 5715 at work in South Africa; the popular 5000-Series Tractors are used the world over, but sales can be hampered by trade restrictions.

countries. Nevertheless, there are challenges including figuring out how to configure it to compete in all markets. Some countries require that tractors sold there be built within the country and with a significant amount of locally purchased materials and labor.

Another trade challenge arises because some competitors will employ tactics John Deere will not, Haughton says. For example, a manufacturer might route a product through a duty-free port to give it a much lower value on paper, reducing tariffs and tax rates — and price — when it is sold.

## Global sales key to success in the 1930s

Early efforts by John Deere to develop markets in other countries helped it weather the Great Depression of the 1930s. By the late nineteenth century, Deere already had long-standing relationships with customers in Argentina, Mexico, and parts of Europe.

In 1902, a company executive traveled to China, Japan, and Russia to establish business relationships and investigate the possibility of building manufacturing facilities and establishing dealer

networks in those countries. By 1907, the company had established relationships with 40 agents, representing 25 foreign cities and countries.

These successes led to the creation of the John Deere Export Department in 1908, the company's first strategic effort to build a global business. By the 1930s the ability of Deere to do business outside of North America proved to be more than an important asset — it was essential to the company's continued success.

The Great Depression hit farmers hard. John Deere sales fell 21 percent between 1929 and 1930. Yet the Deere & Company annual report for 1930 commented on the company's "splendid financial condition," thanks partly to decades of work in markets outside of North America. Export sales grew to 13.6 percent of total sales in 1931.

Export sales could not keep pace with domestic demand by 1936, but the Export Department continued to play a vital role in managing relationships around the world.

# ORIGINS

Russian farmers assemble around John Deere Model D Tractors in this 1930s era photo. John Deere bolstered its sales during the Great Depression with international trade. See story on page 15



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